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FIGHTING CHILD POVERTY

A Brief by the National Council of Welfare
Presented to the Sub-Committee on Poverty of the
House of Commons Standing Committee on Health and Welfare,
Social Affairs, Seniors and the Status of Women

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Canadians like to believe that ours is a society in which all children are born with equal chance to rise as far as their abilities will carry them. Though they begin their lives in very disparate circumstances, we comfort ourselves with the belief that success is as attainable for the child of humblest origins as the most affluent. The facts, however, are otherwise. To be born poor in Canada does not make it a certainty that you will live poor and die poor - but it makes it very likely.

To be born poor is to face a greater likelihood of ill health - in infancy, in childhood and throughout your adult life. To be born poor is to face a lesser likelihood that you will finish high school; lesser still that you will attend university. To be born poor is to face a greater likelihood that you will be judged a delinquent in adolescence and, if so, a greater likelihood that you will be sent to a "correctional institution". To be born poor is to have the deck stacked against you at birth, to find life an uphill struggle ever after. To be born poor is unfair to kids.

Thus began Poor Kids, the National Council of Welfare's classic study of child poverty in Canada. Although that much-quoted report is now 15 years old, its findings about the wide extent, varied causes and devastating consequences of child poverty are as valid in 1990 as they were in 1975 when it was released.

Doubtless the Committee will hear a good deal of both quantitative and qualitative evidence about the causes and effects of child poverty from groups and individuals testifying and submitting briefs. While such information is valuable and necessary - and the research dossier on child poverty is still far from complete - we now know enough about the problem to move from analysis to action. Social policy and advocacy groups have been saying as much for years, and the need for action is acknowledged in the Committee's Terms of Reference, which charge it with developing "a plan to eliminate child poverty in Canada by the year 2000."

This brief focusses on solutions to child poverty, with emphasis on income security, taxation and employment policies. It draws upon the National Council of Welfare's past and ongoing work on poverty and social policy. For the sake of brevity, it will not reiterate at any length the considerable data, analyses and arguments that support the recommendations; these are available in the Council's numerous reports, the most pertinent of which concerning child poverty are listed in the appendices. On the other hand, we present a large number of specific proposals which we believe would significantly reduce the extent

and severity of child poverty. The brief introduces each set of recommendations with some key arguments and evidence distilled from relevant portions of the Council's large body of published material and work in progress.

Our brief is not intended to present detailed recommendations under all the elements that the Council believes should be included in a plan to fight child poverty. We focus on the tax/transfer system, as well as one crucial social service for families with children - child care. The last section discusses the issues of unemployment and low wages and outlines labour market policies which are essential to combatting poverty at its roots; we present some specific recommendations on employment policies, although not on the topics of education and training which we are still researching. Our brief does not deal with the special problems of such groups as aboriginal Canadians, recent immigrants, persons with disabilities and children in care; nor do we discuss housing, education, health care or social services other than child care. These are all important areas which must be included in a plan to combat child poverty.

Trends in Child Poverty

Although child poverty is widespread - 913,000 children under age 16 were poor in 1988 - it has declined considerably over the past two decades. In 1970, there were 1,657,000 children living in low-income families, which represented 24.5 percent of all children. By 1980, the number of poor children had fallen to 851,000 and the child poverty rate to 14.8 percent, in large part as a result of the rising participation of women in the paid labour force which significantly improved family incomes in the 'seventies.

The recession of 1981-82 brought a sharp rise in the jobless rate that, in turn, pushed Canada's poverty rate up steadily for several years. Children were not immune to this upward trend in poverty. The number of poor children passed the one million mark in 1982 and peaked at 1,154,000 or 20.1 percent of all children in 1984.

Fortunately, child poverty has declined steadily since 1985. The number of low-income children stood at 913,000 in 1988 (the most recent year for which data are available) and the child poverty rate at 16.1 percent. Child poverty has not yet returned to where it was in 1980 (14.8 percent), but it was lower in 1988 than in the years from 1982 to 1987.

On the other hand, single-parent families - the fastest growing group among families with children - continue to face very high odds of being poor. Children raised in one-parent families led by women, which comprise eight in ten lone-parent households, faced a poverty rate of 64.6 percent in 1988 - little better than the 69.1 percent figure for 1970. Children living in father-led one-parent families are less likely to be poor than their counterparts with single mothers - their poverty rate is 28.4 percent - but are still more than twice as likely to be poor as children in two-parent families, who have a poverty rate of just 10.2 percent.

In round figures, six in ten children in one-parent families led by women are poor; three in ten children with single fathers are poor; and one in ten children living with both parents are poor.

A lot more poor children live in one-parent families today than in the past, which is not surprising given the rising rate of single parenthood and the high risk of poverty among female-led one-parent families. In 1970, 79.3 percent of poor children had two parents, 17.9 percent were being raised by a single mother and 2.8 percent by a single father. In 1988, 55.1 percent of poor children were in two-parent families, 39.1 percent in one-parent families led by women and 5.8 percent in male-headed one-parent families. In other words, the percentage of poor children being raised in single-parent families more than doubled between 1970 (20.7 percent) and 1988 (44.9 percent).

The child poverty rate varies substantially from one province to another. In 1988, Prince Edward Island and Ontario had the lowest rates of child poverty (12.5 and 12.6 percent, respectively) while Newfoundland (20.5 percent) and Manitoba (20.0 percent) had the highest incidences of child poverty. However, children in single-parent families face a very high risk of poverty no matter where they live: Ontario has the "lowest" poverty rate for children with single parents (57.8 percent) while Newfoundland had the highest rate (74.4 percent).

Poverty rates tell us only the percentage of persons below the poverty line. "Depth of poverty" measures show how far they are below the poverty line - how poor they are.

It is clear that poor one-parent families are worse off on average than poor two-parent families. Worst off are poor one-parent families led by mothers under 65 with young children (under age seven); their incomes average only 54.7 percent of the poverty line. Poor families led by single mothers with children between seven and seventeen fare a little better - their incomes

amount to 66.4 percent of the poverty line. Low-income two-parent families' incomes average 72.2 percent of the poverty line for those with children under seven and 77.1 percent for those with children seven to seventeen. (Figures for male-led one-parent families are not available due to insufficient sample size).

A very large group of poor single-parent families led by women - 27.4 percent - struggle to get by on incomes below one-half the poverty line; another 44.5 percent have incomes between one-half and three-quarters of the poverty line; 28.1 percent are between three-quarters of the poverty line and the poverty line. By contrast, only 14.1 percent of poor two-parent families are under half the poverty line; 29.7 percent have incomes between one-half and three-quarters of the poverty line and 56.2 percent are within 25 percent of the poverty line.

Appendix A provide additional statistics on child poverty. This information is taken from the National Council of Welfare's Poverty Profile 1990, in preparation.

Can We End Child Poverty?

The purpose of this brief is to give the Committee a number of concrete proposals for fighting child poverty. Before presenting these suggestions, we want to offer a few words of advice and caution on the Committee's daunting task of coming up with "a plan to eliminate child poverty in Canada by the year 2000."

Although Canadians can and must do a lot more to fight child poverty, the chances of reducing the ranks of poor children to zero within ten years are remote. The problem is too complex, its causes too diverse and the solutions too numerous and in some cases too difficult to devise or implement in the space of just one decade. A realistic plan of attack against child poverty will require a long-term investment of effort and resources that will take years to put into place and longer still to bear fruit, taking us well into the next century.

We say this not to be defeatist, but realistic. It is easy to pass a resolution to eliminate child poverty by the turn of the century, but difficult to formulate and carry out an effective plan to accomplish this ambitious task. No plan to combat child poverty can succeed if we do not understand and grapple with the formidable technical and political obstacles that stand in the way.

The renewed interest in the age-old problem of child poverty gives us a new opportunity to do something about it: Canadians can do more to reduce the extent and severity of child poverty. We must move beyond a scattergun approach and devise a comprehensive, concerted assault on child poverty. We already know what the major elements of such a plan should be, as well as many of the specific policies and programs needed to carry it out.

There is no magic solution to child poverty. Children are poor because their parents are poor, so to eradicate child poverty we have to get at the root causes of family poverty. That will require a war on several fronts: the income security system, employment policy, education and social services. The list probably should be expanded to economic policy, including fiscal and monetary policy, industrial policy and community economic development. Each of these policy areas is complex and diverse in itself.

That does not mean that Canadians have to wait until all the pieces of the puzzle have been cut out and put in place before moving against child poverty. To the contrary, we must act immediately on the parts of the plan that can be implemented now. Our brief lists a number of reforms to the tax/transfer system that should be acted on as soon as possible in order to stem the erosion of child benefits and ease the rising tax burden on the poor. We also propose a wide range of improvements to the child care and welfare systems that should be acted on now.

On the other hand, not all causes of child poverty submit readily to public policy. Marriage breakdown is a major reason for child poverty: it follows that preventing marriage breakup would go a long way to reducing child poverty. But the state in our society has a limited role to play in this regard and is confined mainly to mitigating the effects rather than tackling the causes of family breakup, which is still considered mainly a "private" matter. Unemployment and low wages are primary causes of child poverty; these are extraordinarily complex and controversial issues, although there is no shortage of competing views on how to deal with them.

A broadly-based plan to combat child poverty must be national in scope, involving a wide range of actors - all levels of government, the private sector, unions, educational institutions, women's and social policy groups. The federal government must play a leadership role in drawing up and monitoring a plan to fight child poverty, as well as a pivotal role in policy reform. Nor can child poverty be fought without the support of Canadians generally, since the better-off will

have to pay more taxes than they do now in order to finance better social and employment programs for poor families.

It will cost money to fight child poverty. Yet Canada is in a period of financial restraint, when the federal government has raised all taxes at its disposal year after year and trimmed spending, most notably on social programs. Where will the money come from to pay for a decent child care system, to boost child benefits, to reform the welfare system, to create better jobs, to provide better education and training programs and all the other elements of an effective anti-poverty strategy?

There are answers to this tough question, but they are not painless. To finance a war against child poverty, there will have to be redistribution of income from the non-poor to the poor. How much of the money should come from middle-income and how much from upper-income Canadians? How much in the form of tax increases and how much in the form of social program changes? How much from families with children and how much from taxpayers without children? Whatever particular mix of tax increases and program cuts the government adopts will entail significant political risks unless better-off Canadians can be convinced they should pay for the fight against child poverty.

Our own preference is to fund better social and employment programs for the poor through a more progressive tax system. Even after the major tax reforms introduced over the past five years, billions of dollars of federal and provincial income tax revenue still go uncollected because of tax breaks and a lower top income tax rate which favour the well-off. Canada is one of the few countries that does not levy a wealth tax.

In "selling" a plan to end child poverty to the Canadian people, it will be important to emphasize the economic payoffs as well as social and humanitarian benefits. Fewer poor families will translate into increased tax revenues as well as government savings resulting from reduced demand for income security benefits, subsidized child care and other social programs directed to the poor. A better educated and trained and more productive workforce is essential to Canada's economic future.

We cannot emphasize enough the central role that labour market policies must play in a successful campaign against child poverty. The war on poverty must be founded on the twin pillars of good social programs and good jobs.

Canadians sometimes expect too much of their social programs, as if they can cure poverty all on their own, when in fact most of the poverty in this country stems from unemployment

and low wages. The best way to cure poverty is to prevent it by ensuring that Canadians of working age can find jobs that pay decent wages. Government transfers have an essential role to play in supplementing earnings from employment - especially for families with children. Because paycheques do not increase according to family size, they cannot be expected to substitute for wages from work.

Most people still obtain the large part of their income from wages and salaries, but many jobs do not pay enough or offer enough hours in the week or weeks in the year to keep workers and their families out of poverty. There are troubling signs that the labour force is growing increasingly polarized: employment growth is being concentrated at the poorly paid and highly paid ends of the wage spectrum, with a resulting decline in middle-income jobs. And despite Canada's relatively strong record of employment creation, there are still not enough jobs to go around, whatever their level of pay.

A powerful predictor of the poverty rate is the unemployment rate, which remains stubbornly high in certain regions and communities and, after six years of steady decline, is forecast to increase in 1990 and 1991. Rising unemployment creates more poverty. It increases pressure on unemployment insurance, welfare and other social programs. And it weakens the tax base required to pay for social programs at the very time when demand for such programs is on the rise.

We urge the Committee to adopt realistic goals and criteria for assessing the performance of its anti-poverty strategy. Changes in the rate of poverty - i.e., the percentage of children in low-income families - should not be the sole measure of progress against child poverty. It is just as important to measure the depth of poverty - i.e., how far below the poverty line - for families with children according to characteristics such as family type, age of parents and of children and number of children. Canada also needs data on the duration and frequency of poverty: American evidence suggests that poverty is both more pervasive and more transitory than commonly believed, with many families and individuals experiencing poverty at some point in their lives, but for a relatively short period. The number and percentage of children in near-poor families (e.g., those with incomes 20 percent above the poverty line) is another important measure.

The average employment earnings and total incomes of low-income families of different types and ages in each province are other important indicators of the impact of public policies to combat child poverty, given the pronounced regional inequalities

in Canada. So too are measures of educational performance such as school leaving, levels obtained, performance and streaming for children from different socioeconomic backgrounds, as well as health status indicators such as infant mortality and rates of illness and accident. Part of the task of devising and implementing a plan to fight child poverty will be to ensure that these various types of information are collected and assembled in a regular and systematic basis; the current state of data-gathering in this country leaves much to be desired.

For example, improvements in child benefits may not lift enough families above the poverty line to make a big and immediate dent in the rate of child poverty (especially if increases are phased in over time), but they can significantly reduce the gap between poor families' incomes and the poverty line and thus ease the severity of their poverty. Headstart programs and other efforts to give poor students a better chance at school will have no effect on the rate of child poverty today, but they can pay off years down the road when poor children grow up to be non-poor adults. Affordable and adequate child care will enable more parents to exchange their welfare cheque for a paycheque; they may not earn enough at first to lift their families out of poverty, but at least they will have a chance of eventually escaping poverty if they are in the workforce, whereas welfare guarantees they will remain poor.

The rest of this brief deals with solutions to child poverty. We begin with social programs and end with the labour market.

Child Benefits

Child benefits are the first line of defence for low-income families with children. There are five federal programs - the family allowance, refundable child tax credit, non-refundable child tax credit, non-refundable married equivalent credit and child care expense deduction. Welfare poor families receive two of these programs (the family allowance and refundable child tax credit). Working poor families generally get benefits from the family allowance and refundable and non-refundable child tax credits and from the married equivalent credit if they are single parents, but rarely from the child care expense deduction.

The government has made two major improvements to child benefits: it gradually raised the refundable child tax credit (which assists low and middle-income families) from a maximum of $343 per child in 1985 to $765 for each child under seven years old and $565 for children seven and over in 1989. Ottawa also

converted the children's tax exemption and married equivalent exemption (which benefitted upper-income taxpayers most) to non-refundable credits as part of its 1988 income tax reforms.

However, the federal child benefits system still has a long way to go in terms of simplicity, adequacy and fairness.

The federal child benefits system has become so complex that it is virtually incomprehensible to most parents. The five programs vary in terms of their qualifying criteria, rates and delivery mechanisms. The system is even more convoluted today than it was five years ago. There now are age-based distinctions in rates for the refundable and non-refundable child tax credits and the child care expense deduction, different rates for the non-refundable child tax credit as between the first two children and the third and subsequent children, an income-tested clawback on family allowances, and two delivery schedules for the refundable child tax credit.

The government partially de-indexed the child benefits system, starting with the family allowance in 1986. It is important to note that the other child benefit programs - the refundable and non-refundable child tax credits and the non-refundable married equivalent credit for single parents - were partially de-indexed as well. (The child care expense deduction is not indexed).

Indexing child benefits to the amount of inflation over three percent a year reduces their value by three percent a year. The National Council of Welfare estimates that Ottawa will cut in the order of $3.5 billion out of the child benefits system between 1986 and 1991 as a result of partial indexation. Even with the boost to the refundable child tax credit, low-income families will lose child benefits as a result. For example, a poor family with one child under age seven saw its family allowances and refundable child tax credits benefits rise from $939 for 1984 to $1,212 for 1989, but they will decline to $1,131 in 1991. (These figures are in 1990 constant dollars).

The 1989 budget announced a significant change in child benefits in the form of the clawback on family allowances. While this measure will not directly affect poor families, it will reduce or remove family allowances from increasing numbers of middle-income families because the $50,000 net income threshold (for the higher-income parent) above which the clawback is applied will fall in value over time due to partial indexation. Some people fear that the erosion of social benefits among the middle-income majority of Canadians could weaken their support for social programs for the poor. Others argue that cutting child

benefits is unfair to middle and upper-income families because it puts them at a greater disadvantage relative to childless couples and single persons with the same income.

Appendix B provides National Council of Welfare estimates of changes between 1984 and 1991 in the value of federal child benefits for one-parent families and one and two-earner couples with two children. Most one-parent families will see a modest increase in their child benefits, the poor especially. Among couples, only the welfare poor see increases; all the rest - the working poor included - will end up with smaller child benefits in 1991 than in 1984. Middle and upper-income families will lose from one-quarter to half or more of their child benefits depending on their income and number of earners. Partial indexation will dissipate the gains to the poor and further eat away at middle and upper-income families' child benefits as we move into the 'nineties.

Low-income families receive federal child benefits of about $1,000 per child. This money eases the severity of their poverty. However, it does not come close to covering the cost of raising a child, let alone lifting many parents and children above the poverty line.

Estimating the cost of raising children is a complicated task. Child-rearing costs vary considerably according to such factors as family income and place of residence, the age and number of children, whether or not parents incur child care expenses, own or rent, and so on.

For example, the Social Planning Council of Metropolitan Toronto estimated the childrearing expenses for a Toronto single parent with one child age four at $9,450 in 1986, which amounts to $11,283 in 1990 dollars.[1] The comparable cost for a four-year-old child living in a two-parent family was $10,752 in 1990 dollars. Federal child benefits in the order of $1,000 per child offset only a fraction of these expenses. Granted, Toronto is an expensive place to live, but child-rearing expenses cannot be sufficiently less in other Canadian communities to alter the conclusion that federal child benefits meet only a small part of the cost of raising children.

Some groups have called for a substantial increase in child benefits to help fight child poverty. For example, the Child Poverty Action Group has proposed a universal child benefit paying up to $4,300 for the first child and $3,600 for each subsequent child.[2] (We updated their 1986 figures to 1990 dollars).

Transitions, the landmark report of the Ontario Social Assistance Review Committee, floated the idea (not a formal proposal) of a single federal/provincial children's benefit that would be financed through the money now spent on federal child benefits, federal and provincial sales tax credits for children and social assistance benefits paid on behalf of children. This child benefit program would be targetted to low and modest-income families. Families with incomes up to a threshold of $16,500 would receive $3,600 per child, while benefits would diminish by 25 percent of income over the threshold.[3] Benefits would disappear at $45,300 for a family with two children, which is substantially below average income for such a family (estimated at $53,500 in 1990). (All values have been converted to 1990 dollars).

The Ontario Social Assistance Review Committee's illustrative proposal raises some important issues that go to the heart of any attempt to restructure Canada's child benefits system. It demonstrates that the money exists to finance larger child benefits for poor families by rationalizing and recombining existing child benefits. At the same time, one does not have to endorse the Committee's particular proposal to recognize that fact; for example, a universal child benefit could be financed the same way.

The Social Assistance Review Committee's scheme would be funded in large part by cutting child benefits for middle and upper-income families with children, which in turn raises two more related questions: Should child benefits serve only lower-income families and exclude middle and upper-income families with children - the old and unresolved universality debate? And why shouldn't childless couples and single persons shoulder their fair share of the cost of providing better benefits to poor children by paying higher taxes?

These are difficult questions that should not and cannot be left to governments alone. They must be debated fully and freely in public, and no reform should proceed until all interested parties have had their say.

The National Council of Welfare's position on child benefits has been consistent over the years. The Council favours a universal but progressive child benefits system. All families regardless of income should receive some meaningful benefit in recognition of their child-rearing responsibilities and contribution to society, but payments should be geared to need as defined by family income. A universal, taxable family allowance and enhanced refundable child tax credit would immediately realize this objective.

At the same time, the Council believes that broader reforms should be explored in order to improve child benefits for Canada's children, scrutinizing all federal and provincial child benefits (including social assistance paid on behalf of children) and involving full public consultation and input. The review should aim for a stronger and simpler child benefits system - e.g., a single, universal, fully-indexed monthly benefit providing larger payments to lower-income families with children and single parent families, with benefits geared to family income. Improved benefits should be financed by all taxpayers, including those without children.

Recommendations

* **The federal government should restore full indexation of federal child benefits, abolish the non-refundable child tax credit and use the resulting savings to increase the refundable child tax credit, and abandon the clawback on family allowances.**

* **The federal and provincial governments should launch a joint public review of their child benefit programs with a view to creating a stronger, simpler and more understandable system that would boost benefits for poor families with children. The review should examine all payments made on behalf of children (including provincial welfare and child benefits) and provide for full public input into the reform process.**

Child Care

Although a paycheque is no guarantee against poverty - especially for one-earner families, part-time workers, large families and families with special needs - it is still the chief source of income for most Canadians and the best way to avoid poverty. Both spouses are now in the paid workforce in two out of every three Canadian couples, a trend that improved family incomes during the 'seventies and helped cushion them against the impact of the high unemployment rates and declining wages in the early 'eighties. Poverty would be much more extensive if most wives did not work for pay; the poverty rate for families with one earner is three-and-a-half times that for two-earner families (19.4 percent compared to 5.6 percent).

Two in every three mothers are now in the paid workforce, although only one in three have a full-time year-round job. Some

women work part-time by choice, but others do so because they cannot find adequate child care to enable them to work full-time.

Child care is an essential service for the majority of Canadian families with children. No strategy to combat child poverty can succeed without an adequate and affordable child care system.

Yet after years of study, proposals and debate - from the Royal Commission on the Status of Women in 1970 through the Task Force on Child Care in 1986 to the Special Commons Committee on Child Care of 1987 and the now defunct Canada Child Care Act in 1988 - Canada still does not have the kind of child care system it requires to meet the needs of today's and tomorrow's families with children, especially low and middle-income families.

The National Council of Welfare's December 1988 report, Child Care: A Better Alternative, detailed the shortcomings of child care arrangements. Licenced spaces (i.e., those regulated by government and required to meet minimum standards for safety, size and quality of care) are in short supply, so most parents have to rely on unlicensed care in the informal child care market which varies in terms of cost and quality.

In theory, low-income families are eligible for subsidized child care; in reality, most do not receive such care and so have to rely on the informal market, like middle and upper-income parents. Subsidies are for licenced spaces, which are scarce; waiting lists several years long are not uncommon. Even if a poor family is fortunate enough to get its children into subsidized care, some provinces do not cover the entire cost, so it has to make up the difference out of its own limited income. Some provinces set income limits for subsidies which are so low that a family may be under the poverty line yet still not qualify for a full child care subsidy. A study done for the Special Committee on Child Care found that only 15 percent of families eligible for either a full or partial subsidy in 1987 received such assistance.[4]

The national child care strategy announced in 1988 was to have addressed these and other problems of the child care system through a multi-pronged approach, the most important being a new Child Care Act that would have provided capital grants to non-profit child care centres and operating grants to both non-profit and profit-making centres. The cost sharing of the services would have been based on a variable formula rather than the current 50-50 cost-sharing arrangement in order to help poorer provinces bring their child care systems up to par with those in better-off

provinces. The objective was to create 200,000 additional spaces over seven years.

The Child Care Act was not passed before the 1988 federal election and was not re-introduced, falling victim to the 1989 budget's restraint policy. The only part of the national child care strategy that was implemented was increased tax breaks in the form of doubling the child care expense deduction for children under age seven (from $2,000 to $4,000), removing the $8,000 per family child care expense deduction limit, and adding $200 to the refundable child tax credit for each child under age seven for families which cannot claim the child care expense deduction.

The maximum $4,000 child care deduction is worth $1,798 in average federal and provincial income tax savings for a taxfiler in the top tax bracket (someone with taxable income over $56,600 in 1990), $1,612 to a claimant in the middle tax bracket (with taxable income between $28,300 and $56,600), $1,054 to a parent in the lowest tax bracket (taxable income under $28,300) and nothing to a poor parent below the taxpaying threshold. The program requires receipts and is rarely used by lower-income families, which either receive subsidized child care or have to rely on informal caregivers who will not provide receipts.

The National Council of Welfare believes that increasing the child care expense deduction is a regressive and costly move and that raising the refundable child tax credit for younger children will do little to deal with poor families' child care needs. The large sums of money spent on these tax-delivered programs - in the order of $4 billion over seven years or as much as Ottawa said it would devote to capital and operating grants - would better be used to increase the supply of child care spaces. Indeed, we argued in our child care report that the $400 million that was to have been set aside for capital grants under the erstwhile Canada Child Care Act was insufficient because it would have funded only 200,000 new spaces; to create the 750,000 spaces that we deem necessary, $1.5 billion is required.

As its title suggests, our 1988 report Child Care: A Better Alternative went beyond criticisms of the current child care system and the government's national child care strategy to offer our own vision of an adequate child care system. We proposed a high-quality yet affordable child care system financed through a combination of government revenues and parental fees. Tax breaks for child care would be phased out and the savings used to help finance the new system. Low-income families would receive fully subsidized child care, while non-poor families would pay fees

which vary according to ability to pay as determined by family income.

Our proposal would continue the flexibility and diversity of the existing system, in that care would be provided in a variety of settings, from child care centres to private homes. Salaries for child care workers would be improved, as would child-staff ratios in child care centres. Our scheme would add 750,000 new child care spaces over seven years to the existing 244,000, for a total of 994,000 or 51 percent of the 1.9 million children under age 13 whose parents work or study full-time.

Recommendations

* **The federal government should move to implement a new child care strategy along the lines of the National Council of Welfare's model set forth in Child Care: A Better Alternative. The new system should be financed through a combination of government revenues and parental fees; there should be a sliding schedule of fees based on a family's ability to pay, and low-income families should receive fully subsidized child care.**

* **The federal government should drop the child care expense deduction to its previous rate of $2,000 per child from its new rate of $4,000 for each child six and younger; convert the child care expense deduction to a non-refundable credit; and enact a "sunset clause" that would see the new child care tax credit expire automatically at the end of seven years, when a new child care system would be in place that would make the credit unnecessary.**

* **Canada's child care system should should provide enough spaces for at least half of the children under age 13 whose parents work in the paid labour force or study full-time; this objective requires the addition of 750,000 child care spaces which should be financed in part by new capital grants from Ottawa to the provinces.**

* **The federal government should not impose any fixed ceilings on its operating grants to provincial child care programs.**

* **The principles of the child care system should be spelled out in a Canada Child Care Act, much as the goals of national health insurance and the obligations**

of provinces and territories are spelled out in the Canada Health Act.

* **Federal child care legislation should give Ottawa the power to accept or reject the child care standards of provincial and territorial governments and to withold funds from governments that have unacceptably low standards.**

* **If it decides to allow operating grants to for-profit child care centres (as proposed two years ago in the national child care strategy), the federal government should include a "grandfather clause" in its new child care legislation providing operating grants to existing commercial centres, but no new ones. Alternatively, Ottawa should require that all commercial centres convert to non-profit centres within a reasonable period of time if they wish to continue getting federal funding.**

Tax Reform

The tax system is one of the most promising vehicles for fighting poverty in Canada, including child poverty. It can be used both to remove the tax burden from low-income Canadians and to deliver income security benefits to them. Despite some significant progress on both scores, the tax system still operates in a contradictory manner towards the poor, giving with one hand and taking with the other.

In 1978, the federal government took an important step towards improving child benefits for lower and middle-income families and, in the process, paved the way for what could eventually become a realistic guaranteed annual income plan for Canada's poor by creating the refundable child tax credit. Unlike tax exemptions and credits - which assist only taxfilers who owe income tax and deliver their greatest benefit to the well-off - refundable credits pay most to lower-income Canadians and extend benefits to those too poor to pay income tax. For the first time, the federal income tax system was used to deliver income security payments to the poorest of the poor.

As noted earlier, the government phased in a substantial increase in the refundable child tax credit between 1985 and 1989. It also took two major steps forward in tax/transfer reform by creating a second refundable tax credit in 1986 - the sales tax credit - and by converting personal exemptions and most

deductions to non-refundable credits as part of the 1988 income tax changes.

The refundable sales tax credit has been increased in order to protect poor Canadians from the impact of successive increases in the federal sales tax. It began in 1986 at $50 per adult and $25 per child for families with net incomes up to $15,000; the rates went up to $70 for adults and $35 for children in 1988, $100 and $50 in 1989 and $140 and $70 in 1989, and the threshold was increased from $15,000 for 1986 and 1987 to $16,000 for 1988 and 1989 and $18,000 for 1990. However, the sales tax credit was not intended to remove the full weight of federal sales taxes from poor families and individuals; it simply offset the impact of tax increases on the poor.

These advances in tax policy, though admirable, are not without flaws. If the weaknesses are not remedied, the gains to low-income Canadians will soon disappear.

All the credits - refundable and non-refundable - are only partially indexed to the amount of inflation over three percent. For instance, if the cost of living goes up by four percent, the credits are indexed only by one percentage point. Inflation erodes the value of both refundable and non-refundable tax credits with each passing year, which results in tax increases and benefit reductions which hit low and modest-income Canadians hardest. Poor families with children are particularly hurt by partial indexation, since they may receive as many as four child-related tax credits - the refundable child tax credit, non-refundable child tax credit, married equivalent credit (if they are single parents) and refundable sales tax credits for their children.

Take the case of a working poor single parent raising two children aged four and eight on employment earnings of $15,000 in 1990; adding child benefits and refundable sales tax credits, the family's total income comes to $17,330, which is well below the $24,371 estimated poverty line for a family of three living in a city of 500,000 or more.

In 1990, the single parent family will be eligible for non-refundable tax credits totalling $3,257 in average federal and provincial income tax savings; these are the basic personal credit, the married equivalent credit for one child, the child credit for the other child and the credits for C/QPP contributions and unemployment insurance premiums. The family also receives $1,530 worth of refundable child and sales tax credits and $800 in family allowances. The grand total is $5,587. The family's after-tax or disposable income - its income after

paying federal and provincial income taxes, C/QPP contributions and unemployment insurance premiums - is $15,780.

Because the income tax system, child benefits and refundable sales tax credits are only partially indexed, inflation eats away at the tax credits and family allowances, whose total value will fall to $4,915 by 1995. The result is tax hikes and child benefit cuts. This working poor one-parent family's disposable income will decline from $15,780 in 1990 to $14,544 in 1995 - a $1,236 or 7.8 percent reduction in just five years. (All figures are expressed in constant 1990 dollars.)

The partial indexation of the income tax system has resulted in hefty income tax increases for working poor as well as middle-income taxpayers and is pushing the taxpaying threshold further and further below the poverty line with each passing year. For example, average federal and provincial income taxes for a two-earner couple with family earnings of $20,000 and two children rose from $175 in 1984 to an estimated $851 in 1991 - an increase of $676 that amounts to 3.4 percent of family earnings. A $50,000 family's income tax increase comes to 2.4 percent of earnings, while a $100,000 couple with two children's income tax burden will rise by only 1.0 percent of earnings between 1984 and 1991. (See Appendix C). Some upper-income taxpayers, particularly self-employed persons who can take advantage of the $100,000 capital gains exemption and higher RRSP tax deduction, will pay less income tax in 1991 than in 1984.

The refundable child and sales tax credits are vulnerable to inflation in another way as well. The threshold for both credits - i.e., the net family income level below which maximum benefits are paid - is only partially indexed, which means that the thresholds will fall steadily and, in turn, fewer and fewer poor Canadians will be eligible for maximum credits. (The thresholds for the 1989 tax year are $24,355 for the refundable child tax credit and $16,000 for the refundable sales tax credit; the latter is to rise to that of the child tax credit in 1991 when the Goods and Services Tax is brought in).

The Minister of Finance has promised to protect low-income Canadians from the heavier tax burden of the Goods and Services Tax (GST) in 1991 by increasing the sales tax credit rates for adults (from $140 in 1990 to $190 in 1991) and children (from $70 to $100) and by raising the threshold from $18,000 to $24,800 in net family income. He will add two new benefits by allowing single parents to claim the adult rate for one of their children and by paying single adults (including single parents) a supplementary credit of up to $100.

The enhanced sales tax credits will reduce, but not remove, the federal sales tax burden for poor families and individuals. Lower-income Canadians will end up paying less federal sales tax than they did before the GST because the sales tax credits will go up more than the sales tax itself. Unfortunately, these gains will be short-lived because inflation will erode the sales tax credits. As a result, the only group of Canadians that will be guaranteed annual GST increases are those least capable of bearing them - the poor.

There are additional problems with the GST tax credits which the National Council of Welfare raised in its two recent appearances before the House Finance Committee chaired by Donald Blenkarn, M.P. The Blenkarn Committee acknowledged our criticisms of the Finance Minister's GST tax credit proposals of August 1989 in its majority report which, in turn, influenced the government to lower the GST rate from nine to seven percent and to improve the sales tax credits for children. But the government failed to remedy two weaknesses in the GST tax credit system which the Council identified in addition to the lack of protection against inflation.

Single parents and single adults will be compensated for the fact that they face higher costs relative to couples with the same income: They will be eligible for a $100 supplement to their basic adult credit of $190. However, this "single person's supplement" (for want of a better term) will be phased in at the rate of two percent of net income above $6,175, reaching the maximum $100 for incomes between $13,175 and $24,800. We think this is unfair to the poorest single parents and single persons, who will receive little or nothing from the supplement and, as a result, will get smaller sales tax credits than less-poor recipients (in fact, some with incomes above the poverty line but below the $24,800 threshold for maximum credits).

Another problem with the refundable sales tax credits is their use of a common income threshold ($24,800 when the GST is introduced in 1991) for households of differing sizes. As a result, families with children will be treated less favourably than childless couples and single Canadians; the larger the family, the greater the disparity. For example, a single person with net income of $24,800 - $9,933 above the estimated poverty for a city of 500,000 or more in 1991 - will be eligible for the maximum sales tax credit. On the other hand, a couple with two children and net income of $26,000 - $3,492 below the estimated poverty line for a family of four - will receive only partial sales tax credits.

Recommendations

* The federal government should create a fully-indexed low income tax credit to remove the income tax burden from poor taxpayers.

* The federal government should create a fairer and more progressive tax system. This could be done by raising the top marginal tax rate from 29 to 32 percent, abolishing the $100,000 capital gains exemption, fully taxing capital gains, limiting the amount of tax assistance for RRSP and RPP contributions and converting the RRSP and RPP tax deductions to credits.

* The refundable sales tax credit and its threshold for maximum benefits should be fully indexed to the cost of living.

* The refundable sales tax credit should be raised to $400 per adult and $200 per child.

* The refundable sales tax credit should be increased (above and beyond regular indexation) if the GST rate is increased in future.

* The federal government should extend the single person's supplement to the refundable sales tax credit to all Canadians below the poverty line.

* The federal government should devise a threshold for the refundable sales tax credit that varies according to family size (e.g., according to Statistics Canada's low income cut-offs).

* In conjunction with community agencies and the voluntary sector, Ottawa should publicize the refundable sales tax credit and refundable child tax credit and provide assistance to applicants who require help in applying for the credits.

* The federal and provincial governments should work together to ensure that welfare recipients receive the full refundable sales tax credits to which they are entitled; neither their basic nor special welfare allowances should be affected by the sales tax credit.

* The federal government should finance the refundable sales tax credit not with revenues from the GST itself, but from the revenues that would result from a more

progressive income tax system; this would permit a lower GST rate.

Welfare Reform

Welfare is commonly characterized as "the program of last resort" or the "safety net" for Canadians without other sources of income such as employment earnings, savings and other social programs such as unemployment insurance or disability benefits. The welfare rolls are comprised largely of children, single parents, persons with mental and physical disabilities and unemployed adults under 65.

Children make up a shockingly large segment of welfare dependents. National welfare statistics are few and far between, but some figures for Ontario cited by the Ontario Social Assistance Review Committee in its Transitions report are revealing. (Ontario has the largest share of social assistance recipients in Canada - 588,200 as of March 31, 1989 or 32 percent of the 1,856,100 total.)

In 1987, approximately 500,000 women, men and children received welfare benefits in Ontario. Children were the largest group, accounting for 37.0 percent of the total. Persons with disabilities represented the next largest category (17.2 percent of all beneficiaries), followed by an undefined "other" group (16.2 percent) and single parents (16.0 percent); in last place were (at 13.6 percent) were employable, working-age adults.[5]

Welfare benefits are low in all provinces. Appendix D calculates total welfare incomes for two representative types of family in each province - single parents with one child (age two) and couples with two children (ages 10 and 15) - as a percentage of the poverty line for the largest city in each province. Income includes not just social assistance benefits, but also any federal and provincial child benefits and tax credits for which the families are eligible.

It is clear that all welfare families with children are substantially below the poverty line. The incomes of the one-parent families with one child vary from 50 percent to 70 percent of the poverty line. Welfare incomes for the couples with two children range from 44 percent to 74 percent of the poverty line. Another striking feature of the welfare system is the wide disparity in benefits from one province to another.

Welfare benefits are not protected against inflation. Only one province - Quebec - indexes its social assistance benefits, and then only for recipients deemed to be unemployable. All the other welfare programs are adjusted on an irregular basis.

While critics tend to focus on the inadequacy of social assistance benefits, there are a number of problems with welfare that make life difficult for recipients, caseworkers and administrators alike. The National Council of Welfare's 1987 report Welfare in Canada: The Tangled Safety Net, the first comprehensive study of social assistance programs in Canada, provided a description and analysis of the welfare system. In brief, we found that the welfare system is incredibly complex; often secretive and always hard to understand; inconsistent and unequal in its application of rules and treatment of recipients; and inadequate in its benefits.

The Council's study put forward five principles to guide its recommendations for welfare reform: 1. simplification (the welfare system should be simplified, with fewer rules and categories); 2. accessibilitiy (information pertaining to all aspects of the welfare system should be made more readily available to applicants, recipients and the public); 3. equity (the welfare system should be made more equitable by reducing disparities within and among provinces); 4. adequacy (welfare benefits should be set at adequate levels); 5. due process (policies and practices within the welfare system should be consistent with the due process of law to which all other government programs in this country are subject).

Welfare in Canada: The Tangled Safety Net offerred 55 recommendations for reform of the welfare system, covering six features discussed at length in the report - complex rules, the process of needs-testing used to determine eligibility for and amount of assistance from welfare programs, rates of assistance, enforcement of welfare rules and regulations, the appeals process and what the Council termed the "data gap" concerning welfare rates, caseload characteristics and related information.

Because welfare programs vary in design from one province to another, not all of our recommendations apply to every program operated by the ten provinces and two territories. On the other hand, all welfare programs share certain general features and weaknesses which our 1987 report addressed. While the 1988 report of the Ontario Social Assistance Review Committee presented 274 proposals based on their two-year in-depth review of the welfare

system in one province, they embraced the five principles enunciated in our report and made many similar recommendations.

Welfare in Canada concentrated on immediate changes to the welfare system. It did not deal at any length with measures to help recipients get off welfare and into the workforce; we will address this issue in the section on labour market policies.

Recommendations

We will not repeat all 55 of the recommendations put forward in Welfare in Canada, but rather will reiterate some of the key proposals and those which affect families with children:

* **In determining rates of social assistance, provinces should employ an approach which ensures that benefits are realistically related to the costs of purchasing goods and services needed to support an adequate budget.**

* **Provinces should fully index their social assistance rates on at least an annual basis and preferably on a semi-annual basis according to changes in the Consumer Price Index.**

* **Provinces should raise their rates of basic assistance in order to reduce the need for special assistance which is provided through administrative discretion.**

* **The federal government should broaden the definition of 'basic requirements' provided in the Canada Assistance Plan Act and Regulations.**

* **Provinces should employ a broader interpretation of 'basic needs' to allow for the inclusion of necessities such as a telephone, funds for transportation, occasional babysitting monies, and educational and recreation allowances for children.**

* **Provinces should eliminate the disparities in the rates of assistance on the basis of employability and age.**

* **Provinces should make known to recipients and to the public in a systematic fashion the way in which their social assistance rates are calculated and the levels of benefit for basic items of need such as food, shelter, clothing and personal allowances.**

* **Provinces should provide all applicants deemed eligible for assistance with a written explanation as to how their benefits have been calculated and how they can initiate a case review if they are dissatisfied with the amount granted.**

* **Provinces should increase their liquid asset exemption levels to approach more closely the amounts allowed under the Canada Assistance Plan Liquid Asset Exemption Guidelines.**

* **In order to ensure that the full benefit of federal programs is received, the province of Saskatchewan should follow the practice of other provinces in exempting the value of the federal family allowances in the calculation of resources available to welfare recipients.**

* **No province should treat the refundable child tax credit as available income.**

* **All provinces should exempt the federal sales tax credit in the calculation of resources available to welfare recipients.**

* **Provinces should continue to increase their earnings exemption levels to approach more closely the amounts allowed under the Canada Assistance Plan Earnings Exemption Guidelines in order to encourage social assistance recipients to seek and maintain employment.**

Support for Single Parents

The rising rate of marriage breakdown (both married and common-law) and out-of-wedlock births has led to an upsurge in the number of single-parent families. In 1961, only eight percent of all families were headed by single parents; by 1986, the rate had grown to 13 percent.

Eight in every ten single-parent families are headed by women; the 1986 census counted 701,900 female-headed one-parent families and 151,745 male-led one-parent families. The majority of female lone parents are separated or divorced (57 percent), while 28 percent are widowed and 15 percent are single.

As one would expect, the percentage of children living in one-parent families has risen as well - from 8.3 percent of all children under age 16 in 1970 to 13.0 percent in 1988. However,

few non-poor children live in single-parent families - only 4.4 percent in 1970 and 6.9 percent in 1988. By contrast, the percentage of poor children living in one-parent homes rose from 20.7 percent in 1970 to 44.9 percent in 1988.

Marriage breakdown and unwed motherhood are key causes of child poverty in this country. The most recent statistics (1988) show that 56.7 percent of one-parent families led by women under 65 live on low incomes. Even if they work in the paid labour force - two in three do - mothers raising children on their own still run a very high risk of poverty: half are poor. The poverty rate for one-parent families led by men is much lower than that for women (18.0 percent,) though still double the poverty rate (8.9 percent) for two-parent families (the majority of which have two earners).

The National Council of Welfare examined the problems confronting one-parent families at length in two of its most popular reports published in the 'seventies - One in a World of Twos (1976) and Women and Poverty (1979). While there have been significant changes in the economy, legislation, and social programs since those studies were published, single parents still find themselves at a considerable disadvantage in the workplace and in society. The fact that more than half of one-parent families led by women are still poor attests to the need for more action to help single mothers and their children.

We do not have to look far to find the major causes of poverty among one-parent families. Most single parents work, but single mothers in particular tend to earn low wages. Those who cannot find or keep a paid job end up on welfare and so are automatically poor. Affordable and adequate child care is hard to find. Marriage breakdown often brings a sharp drop in income for the custodial parent and children, sometimes into poverty, since child and spousal maintenance support from ex-spouses is frequently meagre, erratic or non-existent. Survivor benefits for widows and their children under the Canada and Quebec Pension Plans are low and are not even offered by most occupational pension plans.

Our proposals for the reform of child benefits, child care and welfare will help single parents and their children. However, additional changes in income support measures and social services are required to address problems unique to one-parent families.

The following proposals are drawn from the National Council of Welfare's 1979 report Women and Poverty, our 1990 report Pension Reform and other Council work in progress.

Recommendations

* All provinces should ensure that their matrimonial property laws give separating and divorcing spouses half the value of all assets they acquired together during the course of the marriage.

* The federal government should strengthen the Divorce Act's criteria for entitlement to support payments for spouses and children and the methods used to establish the amounts of support. Provincial governments should ensure that support orders are adequately enforced.

* Provincial governments should create an advance maintenance system for single-parent families to ensure they receive the full amount of support to which they are entitled. Such a scheme could include a guaranteed minimum payment that would be made up by public subsidy if the amount paid by the non-custodial parent is lower than the guarantee level. (Several other countries, including Australia, Sweden, Germany and Israel already operate such systems, and Wisconsin is conducting trials).

* Governments should provide accessible sex education and birth control, which are particularly important in order to prevent unwanted pregnancies among young single women.

* The federal government should proceed with the transitional improvements proposed in its 1987 consultation paper for survivor benefits under the Canada Pension Plan; these improvements should be made permanent, and they should apply to survivors under age 60.

* Children's and orphan's benefits under the Canada Pension Plan should be doubled for children under age seven and increased by 50 percent for children seven through 17. Benefits for children 18 and older should remain at their current levels.

* Survivor pensions in the Canada and Quebec Pension Plans should be prorated among former and current spouses based on the length of each relationship.

* Credit-splitting under the Canada and Quebec Pension Plans should be automatic, mandatory and as soon as possible after marriage breakdown.

* **The federal and provincial governments should expand the earnings-replacement capacity of the Canada and Quebec Pension Plans. The higher benefits (including retirement and survivor pensions) would be financed by higher contributions from workers and employers.**

* **All governments should require occupational pension plans under their jurisdiction to provide for survivor benefits. Benefits should be available for survivors of plan members, whether the members die before or after retirement.**

* **The federal and provincial governments should require credit-splitting in occupational pension plans upon marriage breakdown. Exemptions from this rule should be permitted only in cases where each spouse has pension credits that are approximately equal in value.**

The Labour Market: Working Below the Poverty Line

All welfare recipients are poor, but not all poor people receive welfare. To the contrary, half of low-income Canadians rely on paid work for most of their income but still end up below the poverty line. In 1988, 50.5 percent of low-income families were headed by a full or part-time worker (20.6 percent by full-time workers and 29.9 percent by part-time workers).

To understand why so many Canadians work but remain poor, we must look at the nature of their jobs. It is beyond the capacity of this brief to tackle this complicated issue in any detail or breadth, but we will refer briefly to some earlier Council work on the subject as well as more recent evidence attesting to the continued health of the low-wage labour market.

In 1977 the National Council of Welfare published Jobs and Poverty, one of the first studies of the working poor in Canada. It contrasted the situation of the working poor with the majority of working Canadians in words that ring as true in the 'nineties as they did in the 'seventies:

> We long ago accepted the principle that an adequate wage is a fundamental right of employment. In more recent years decent working conditions, the protection of fringe benefits, and reasonable opportunities for advancement have come to be regarded as additional basic entitlements of employment. All of these are

> rights to which every working Canadian should be assured.
>
> But they are not rights which all working Canadians enjoy.
>
> There is a large group of workers who are denied even the fundamental right of an adequate wage - a group which occupies a curious and unenviable position in our economy. They work, but their earnings are not sufficient to meet their basic needs. They are poor, yet we offer them little in the way of special supoort. They are the working poor, the forgotten poor in Canadian society.

Jobs and Poverty characterized the workforce as divided into a "normal labour market" and a "marginal labour market." The Council's report drew upon "dual labour market" theory developed by economists in the United States and applied it to Canada.

The majority of employed Canadians work in the normal labour market. Although there are wide variations in wages and salaries within the normal labour market, workers earn enough to keep their families out of poverty and generally enjoy a package of non-salary benefits (such as paid sick leave, occupational pension plans, life, disability and supplementary health insurance) and the full protection of labour standards laws governing such working conditions as occupational health and safety, hours of work, vacations and maternity leave.

The working poor, by contrast, toil in the marginal labour market. Wages are low, in part because firms in the marginal labour market are typically small and lack the technology, managerial expertise and capital of most enterpises in the normal labour market. As a result, marginal firms are often less productive, less profitable and less stable than those in the normal labour market. Opportunities for advancement are limited or non-existent, and job requirements for skills, experience and formal educational requirements are generally low.

Marginal workers rarely belong to unions and thus are denied the wage settlements, non-wage benefits and protection from arbitrary treatment by employers that unions have won for their members. Some female workers in the marginal labour market, such as domestics (usually immigrants), paid homemakers and women who do piecework (such as typing and sewing) in their own homes, are not adequately protected by labour standards. Agricultural workers are excluded from minimum wage laws in most provinces.

Recent research substantiates the normal/marginal labour market theory utilized in our 1977 report. There is plenty of evidence that the marginal labour market prospered during the 'eighties and shows no signs of disappearing in the foresseable future.

There has been a long-term transformation in the structure of the economy from goods-producing to service jobs. The service sector rose from 44 percent of total employment in 1951 to 59 percent in 1967 and 71 percent in 1988 and a projected 73 percent by 1993. Ninety percent of employment growth since 1967 has been in service-producing industries. This shift from manufacturing to services has resulted in the replacement of many middle-income blue-collar industrialized jobs by higher-paying professional, managerial and technical jobs in private-sector financial and business services and public service jobs on the one hand, and by lower-wage jobs in the consumer services and retail trade on the other hand.

Economists at the Economic Council of Canada and Statistics Canada are conducting important research into what Americans have dubbed the "shrinking middle" phenomenon. Both the Canadian and American researchers have found some evidence of a bifurcation in job creation during the 'eighties, with substantial growth in lower and better-paid employment and signs of a decline in the number and share of middle-income jobs.

Half of the new jobs created in Canada between 1981 and 1986 were what the Economic Council of Canada calls "nonstandard."[6] These include workers in part-time jobs (less than 30 hours a week) and in short-term positions (less than six months' duration), self-employed persons who work alone and temporary-help agency employees. Generally speaking, non-standard jobs - which have grown to constitute 30 percent of total employment - are low-paid and low-skilled and offer little or nothing in the way of membership in unions and occupational pension plans, opportunities for advancement and job security.

By contrast, the well-paid service sector jobs demand high levels of skills and education and offer advantages such as membership in professional associations or unions and occupational pension plans, career ladders and job security. These good jobs are found largely in what the Economic Council of Canada terms "dynamic services" made up of transportation, communications and utilities, wholesale trade, finance, insurance and real estate and business services.[7] Dynamic services are concentrated in Canada's largest cities.

The Canadian Labour Market and Productivity Centre examined average wage levels according to major occupation of the 872,000 jobs created between 1983 and 1987, 90 percent of them in the service sector.[8] Many of these jobs, particularly those in education and health services in the public sector, services to business and in finance, insurance and real estate, are well-paid. But close to half of the new jobs paid less than $300 a week in 1987, which is only two-thirds of the average weekly earnings ($443 in 1987) for all earners. These 405,000 new low-wage jobs were concentrated in rapidly-growing industries such as accommodation and food services, which paid just $183 a week in 1987 or 41 percent of the overall average; personal services (such as laundries and household services), which averaged $249 a week or 56 percent of the average for all workers; and retail trade, which paid $272 a week or 61 percent of the average.

Women's rising labour force participation shows up in the fact that women occupy 72 percent of the new jobs created during the 'eighties.[9] Women still earn substantially less than men and remain overrepresented in low-paid jobs in the clerical, sales and services sectors. Not only do these jobs pay below-average wages, but they tend to be inferior in terms of non-wage benefits such as membership in private pension plans and unions, career opportunities, job stability and scope for on-the-job training and skill development.

The gap between women's and men's wages is striking. In 1988, women earned $15,054 or just 57.4 percent of the $26,236 average earnings of men. Even among full-year full-time workers, women earned only 65.3 percent of men's earnings ($21,918 versus $33,558). The largest group of women (42.0 percent) earned under $10,000, 39.4 percent between $10,000 and $25,000 and 18.6 percent over $25,000. The rank order is reversed for male workers: the largest group earned over $25,000 (48.1 percent), followed by 27.8 percent in the middle range and only 24.1 percent in the bottom group.

Part of the reason for the earnings gap between women and men is that a larger percentage of women than men work part-time; in 1989, 24.5 percent of female workers worked part-time compared with only 7.7 percent of male workers. In large part this difference stems from the fact that many married women work part-time because they continue to bear most of the family's child-rearing responsibilities whether they like it or not. Only about a third of mothers work full-time, another third part-time and the remaining third work in the home. However, many women as well as men working part-time (one in four) would prefer a full-time job. Of course, part-time workers earn less during the

course of the year, but they also have lower average wages than full-time workers.

But even among part-time workers, women still earn less than men. In 1988, women working part-time earned $7,991 or 74.4 percent of male part-timers' $10,735 average earnings. The same pattern holds when we look at what women and men earn within the various occupations: Women consistently earn less than men, no matter what the field of work. In 1988, female teachers earned on average $25,861, which is the best of all major occupational groupings for women. But male teachers still earned substantially more ($37,434). At the other end of the spectrum, women working in sales made only $9,749 compared to $19,198 for men in sales.

There are significant differences in the distribution of earnings among provinces as well as between the sexes. The Atlantic region has the highest proportion of low-wage workers (43.6 percent earned below $10,000 in 1988), followed by the Prairies (34.8 percent), Quebec (32.9 percent), British Columbia (31.8 percent) and Ontario (28.2 percent).

These earnings differentials among the provinces are but one among several signs of the profound and entrenched regional economic disparities in this country that appear to have widened during the 'eighties. The unemployment rate in 1989 ranged from 5.1 percent in Ontario to 15.8 percent in Newfoundland; it was over 9 percent in six provinces - British Columbia (9.1 percent), Quebec (9.3 percent), Nova Scotia (9.9 percent), New Brunswick (12.5 percent), Prince Edward Island (14.1 percent) and Newfoundland (15.8 percent). The jobless rate in 1989 was higher than it was in 1980 in all provinces except for Ontario and Quebec. The gap in family income between Ontario and the other provinces has grown larger; for example, Quebec families averaged 88.8 percent of the income of Ontario families in 1980 and 78.3 percent in 1988, while Alberta families had a higher average income than that of Ontario families in 1980 (111.1 percent) but averaged only 87.7 percent in 1988.

Provincial averages mask significant economic differences within each province. Not all communities in economically disadvantaged provinces are poor, any more than are all communities in Ontario well-off. A 1989 report by the Canada Employment and Immigration Advisory Council entitled Regional Unemployment in Canada: A Nation out of Balance, studied 15 areas (out of the 53 Labour Force Economic Regions in Canada) which show prolonged high rates of unemployment and slow recovery from the recession of 1981-82. These regions are concentrated in Atlantic Canada, Quebec, northern Ontario and British Columbia.

The report discovered a number of common characteristics of these economically depressed areas, not all of them negative: dependence on resource-based industries, seasonal employment, heavy dependence on unemployment insurance, distance from major centres, weak economic infrastructure (especially transportation), dependence on outside capital, limited access to education and training, relatively unskilled and poorly educated labour force, high level of community energy and potential leadership, ample space, attractive landscape and good access to the natural environment, and a desire among residents not to be seen as a depressed area.[10]

While most Canadians get most of their income from paid employment, wages did not keep pace with the cost of living during the 'eighties. Average weekly earnings fell from $477.34 in 1979 to $463.80 in 1988; average weekly wages in the fast-growing community, business and personal services sector declined from $419.12 in 1979 to $390.51 in 1988. (These figures are in constant 1988 dollars).

Minimum wages, which are not indexed and are adjusted only on an irregular basis, have plummeted in value since the mid-'seventies. In 1976, a person working full time year round at the average minimum wage earned $13,303 or 49 percent of the average wage. In 1989, a minimum wage worker earned $9,285 or just 37 percent of the average wage. (These figures are in constant 1989 dollars). Minimum wages have suffered a 30 percent real decline since 1976.

Recommendations

Unemployment and low wages are leading causes of child poverty. Unfortunately, the marginal labour market that lies at the root of working poverty is a deeply-entrenched element of the Canadian economy that shows no sign of decline and every sign of flourishing for the foreseeable future. Regional disparities in unemployment and incomes have widened, and the jobless rate - after six straight years of post-recession decline - is forecast to rise this year and the next.

There are no simple, easy or quick fixes to the problems of low wages and unemployment. They require action on a number of fronts, ranging from fiscal and monetary policy to measures to ease the transition from welfare to work. Some policies can help the working poor right away, but others will take many years to have an effect.

The Council cannot give the Committee a full slate of detailed and specific proposals on employment policy at this

time, since we are still working on several reports which will do so. Our purpose in this section is to sketch out the major components of labour market policies to combat working poverty, although we do provide some illustrative suggestions and, in a few cases, specific proposals taken from previous Council reports.

a. full employment

Canada has more thanr a million unemployed, extreme variations in provincial unemployment and a higher jobless rate than most other advanced industrial nations. Despite a relatively strong job creation record, there are still not enough jobs for those who want and need them, including parents. The poverty rate mirrors the unemployment rate. Without a political commitment to full employment, we can never solve the problem of child poverty in this country.

Over the past decade, the federal government has put curbing inflation and the deficit ahead of reducing unemployment, pursuing restrictive fiscal and monetary policies such as high interest rates and spending cuts that have exacerbated unemployment. Yet other countries with higher levels of social spending than Canada have managed to achieve low levels of unemployment and strong economic growth. For example, easing interest rates would increase investment and job creation and reduce the interest paid on servicing the debt, a key cause of the deficit.

* Canada needs to pursue regional and local economic development strategies in order to establish a more diversified economic base in all parts of the country. There is a growing realization that we must look more to small and medium-sized enterprises to create jobs, including innovative ventures such as community development corporations and other locally-initiated and operated enterprises.

* In its 1978 report, Working Together, the National Council of Welfare recommended that the federal and provincial governments provide more support for community economic development in the form of technical assistance and start-up funds (low-cost loans as well as grants).

* We also proposed that community development committees be established in each local area to undertake community-based and directed employment planning and coordination.

* **Working Together proposed a new federal community service jobs program, providing permanent employment to produce goods and services that are in scarce supply in each particular community and that are not supplied by the private sector. The community service jobs program would support both for-profit and non-profit ventures and would be closely coordinated with existing training, counselling and referral services.**

b. minimum wages

Minimum wages have fallen in value and need to be protected from further losses and restored. However, a higher minimum wage is not the elixir for family poverty that some people believe. Few working parents earn as low as the minimum wage. Minimum wages are so low that they would require very large increases in order to provide even an income equal to the poverty line for families with children.

While information on minimum wage workers is sparse, we do know that more than a million workers (1,035,000) or 9 percent of paid workers earned $4.00 an hour or less in 1986.[11] Most are young, female and single. Some minimum wage earners live in non-poor families.

Many working poor Canadians, especially families with children, earn substantially more than the minimum wage and still remain poor. In fact, the gap between the minimum wage and the poverty line for a single parent with one child is so large that the minimum wage would have to be almost doubled to keep such a family out of poverty.

For instance, a single parent working for the minimum wage in Manitoba and supporting one child earned at most $9,776 in 1989, which is $8,537 below the estimated poverty line of $18,313 for two persons living a city the size of Winnipeg. The Manitoba minimum wage of $4.70 an hour would have to be increased to $8.80 an hour in order to raise this family just to the poverty line. (Note that this calculation assumes that the worker was employed full time year round, which is often not the case since close to half of minimum wage workers work part-time.) If the single parent had two children, the minimum wage would have to be raised to $11.19 an hour in order to provide an income equal to the poverty line for a family of three in Winnipeg. No government would implement so large an increase in the minimum wage.

Appendix E shows the difference between minimum wages and the poverty line for two illustrative families with children -

single parents with one child and couples with two minimum wage workers and two children - in each province in 1989. We also show what the minimum wage would have to be in order to earn an income equal to the poverty line. (Since the poverty line varies by community size, we use the poverty line for the largest city in each province).

Minimum wages on their own cannot be expected to solve the problem of the working poor. Other measures proposed elsewhere in this brief - better child benefits in particular - are required to help fill the gap between low wages and the poverty line for families with children.

However, gradual improvements in the minimum wage would help reduce the severity of poverty for working poor families with minimum wage workers and would improve the incomes of non-poor families with minimum wage workers. Since the minimum wage establishes the wage floor, improvements in it might lead to an adjustment upward of wages which are above the minimum rate but still relatively low and in this way indirectly help other working poor families.

* **Federal and provincial minimum wages should be indexed to increases in average wages.**

c. <u>employment standards</u>

Workers in the marginal labour market typically get little or nothing in the way of non-wage benefits enjoyed by employees in the normal labour market such as occupational pension plans and supplementary medical and dental insurance. Some groups - such as domestics and home workers - are not adequately covered by labour standards legislation governing such working conditions as hours of work, minimum wages, vacation and sick leave.

* **Part-time employees should be entitled on a pro-rated basis to the same hourly pay and benefits (such as supplementary health insurance and, where offered, occupational pension plans) as full-time employees.**

* **Part-time workers, domestics and farm workers should be ensured the full protection of labour standards laws (governing such working conditions as hours of work, minimum wages, vacation and sick leave) in all jurisdictions.**

* **All part-time employees should be eligible for unemployment insurance benefits.**

d. pay equity and affirmative action legislation

The wage deficit experienced by women, visible minorities and aboriginal Canadians results in part from wage discrimination and their segregation into low-paid occupations and jobs. All governments in Canada have enacted some form of pay equity legislation to try to deal with these problems.

Equal pay for equal work laws have not been very effective because they restrict comparisons to positions within the same occupation and establishment and so cannot deal with the problem of occupational segregation. Equal pay for work of equal value laws broaden the comparison to dissimilar occupations using job evaluation techniques to assess whether jobs in different occupations are of comparable value in terms of such criteria as skill, effort, responsibility and working conditions.

Because the effectivness of such laws has been constrained by the fact that individual employees must lodge a complaint, Ontario and a few other provinces have adopted "pro-active" pay equity legislation which puts the onus on employers to act to ensure that their female employees are paid the same as men for work of equal value. However, so far only Ontario has legislated pro-active pay equity laws for the private sector as well as the public sector; Prince Edward Island, Nova Scotia and Manitoba have done so only for public sector employees. Ontario's pay equity law does not apply to firms with under 10 employees and does not require employers with under 100 workers to put in place formal job evaluation procedures. It also requires male-dominated comparison groups of the same value within the same establishment and so will miss employers with mainly female workforces such as day care and social services.

Another policy aimed at improving opportunities for disadvantaged groups such as women, visible minorities, persons with disabilities and aboriginal Canadians is affirmative action or employment equity. Affirmative action programs seek to improve disadvantaged groups' share of jobs at various levels within each workplace. The federal government requires all employers under its jurisdiction to implement affirmative action programs, but does not back up this requirement with sanctions against employers who fail to comply.

* **All jurisdictions should enact and enforce pro-active pay equity laws to apply to all employers. Such laws should require comparisons of jobs across establishments as well as occupations.**

* **All jurisdictions should require and enforce affirmative action programs from all employers, public and private.**

e. <u>education and training</u>

The lower a person's education, the greater the risk of poverty and unemployment. The poverty rate ranges from 19.0 percent for families whose heads have only elementary education and 12.5 percent for those who did not get past high school to 8.8 percent for those with a certificate or diploma from a post-secondary institution and just 5.2 percent for university graduates. The unemployment rate shows the same consistent relationship to education, ranging from 11.1 percent for Canadians with elementary schooling to 8.9 percent for those with a high school education, 5.2 percent for post-secondary graduates and just 3.7 percent for university graduates.

One of the surest ways to avoid poverty is to stay in school. Yet about 30 percent of Canadian teenagers fail to finish high school; children from low income and single-parent households are more likely to drop out of school than those from middle and upper-income backgrounds. One in five adult Canadians is functionally illiterate, as are about half of welfare recipients.

Years of research in Canada and other countries has established conclusively that students' educational attainment - itself a reliable predictor of occupation and income - is strongly influenced by parents' socioeconomic status. In plain words, poor children are less likely to get a good education and so are unlikely to end up with a stable, decently-paid job. Children from low-income families tend to have lower educational aspirations and expectations and perform less well in school, even though there is no evidence that ability (as measured by intelligence tests) is related to family income. Some critics contend that, far from opening doors of opportunity, the school system serves to reinforce the social and economic inequalities which give rise to poverty in the first place.[12]

The educational deficit of poor children is all the more worrisome in view of the fact that educational and skill requirements for good jobs are rising as a result of technological change and global competition. The unskilled and poorly educated will be increasingly relegated to the low-wage no-future service jobs which neither require nor demand much education or training, and will find it all but impossible to

rise above their lack of credentials and break out of the marginal labour market.

The propects for overcoming the lack of formal education through adult training programs are not promising. There is a litany of criticisms of Canada's training efforts.

Training is not adequately funded; federal spending - the most important source of training dollars - has declined in real terms in recent years, even with the planned diversion of funds from unemployment insurance benefits to training, while Canadian industry does not invest enough in employment-based training. Training programs are scarce in rural communities, and there are not enough apprenticeship and training programs for young people.

Government programs mostly offer short-term training for low or entry-level jobs to the job-ready; exclude most people who already have a job; and typically fail to develop skills that would enhance trainees' long-term employment prospects. Participants are sometimes trained for jobs which are scarce or non-existent in their community or for jobs with no future. Most businesses offer no formal training to their workers; only larger corporations provide training opportunities, and then mainly to male employees who are already well-educated and highly-skilled.

Recent changes have removed from federal employment programs training in basic literacy, writing and math skills which are essential for many poorly educated people, required for entrance into other training programs and transferable to all jobs. To the extent that training leads to low-wage jobs - the majority of female participants of federal training programs are still being trained for traditional female jobs such as in sales, services and clerical work - it reinforces rather than breaks down the barriers between the normal and marginal labour markets. Training allowances are inadequate and programs are poorly coordinated among the two levels of government and employers.

Despite the current emphasis on getting employable welfare recipients off the welfare rolls and into the workforce, the so-called "transitional programs" required to help them find and keep jobs are undeveloped and scarce or non-existent. These include "bridging" programs which provide basic skills training and counselling required before participants can enter job training programs. The Ontario Social Assistance Review Committee proposed a new position of "opportunity planner" to help draw up and put into place an individually tailored plan for each participating welfare recipient. Affordable day care and financial assistance to cover work-related expenses such as

transportation and clothing are other necessary employment supports. Because welfare recipients are eligible for prescription drug and certain non-insured health services, these should be made available to the working poor as well.

The federal and provincial governments are undertaking "Employment Enhancement Accords" aimed at getting more welfare recipients into employment programs. While we do not yet know the effects of this initiative, such efforts are encouraging, so long as partipation in them is voluntary. However, it is not at all certain that training and related support services can change the fact that many welfare recipients and other low-income Canadians - particularly those with limited education - will still end up in low-paid jobs in the marginal labour market. The push to get welfare recipients off the welfare rolls and into the workforce likely will simply exchange one form of poverty for another for many poor people.

The Council is not yet in a position to offer specific proposals concerning education and training. However, it is clear to us that fundamental changes are required to help overcome the educational deficit of children from poor families, starting in early childhood and extending through school and post-secondary education. The school system should prepare all students - whatever their family income - for higher education or the labour force; all students must attain a basic level of competence in literacy, problem-solving and computational skills.

Training and upgrading should be an integral part of the educational system, which in turn should be viewed more broadly as providing life-long learning opportunities and involving to a greater extent parents and employers. Occupational training must be made more accessible to the poor, including those already working in low-wage jobs, and a full range of pre-employment programs, training programs (with adequate training allowances) and employment support services (including child care and assistance with work-related expenses) are required to help welfare recipients find and keep jobs.

FOOTNOTES

1. Mitchell, Andrew. "The Cost of Raising a Child in the Toronto Area in 1986" (Toronto: Social Planning Council of Metropolitan Toronto, November 1987).

2. A Fair Chance for All Children: The Declaration on Child Poverty (Toronto: The Child Poverty Action Group, 1986), p.13.

3. Social Assistance Review Committee. Transitions (Toronto: Queen's Printer for Ontario, 1988), pp.115-117.

4. Provincial Day Care Subsidy Systems in Canada. A background study prepared for the Special Committee on Child Care (Ottawa: 1987), pp.16-18.

5. Transitions, p.31.

6. Economic Council of Canada. Good Jobs, Bad Jobs: Employment in the Service Economy (Ottawa: Minister of Supply and Services Canada, 1990), pp.11-13.

7. Good Jobs, Bad Jobs, p.2.

8. Jackson, Andrew. "The Quality of New Service Jobs", Labour Research Notes, Issue #2 (Ottawa: Canadian Labour Market and Productivity Centre, July 1988).

9. Economic Council of Canada. Legacies (Ottawa: Minister of Supply and Services Canada, 1989), p.27.

10. Canada Employment and Immigraiton Advisory Council. Regional Unemployment in Canada: A nation out of balance (Ottawa: Minister of Supply and Services Canada, November 1989). p.5.

11. Akyeampong, Ernest. "Working for minimum wage", Perspectives on Labour and Income (Winter 1989 Vol. 1, No. 3) (Ottawa: Minister of Supply and Services Canada, 1989).

12. For a comprehensive review of the literature on poverty and education as well as various Canadian and American projects attempting to improve the educational prospects of poor children, see Melanie Hess, Children, Schools and Poverty (Ottawa: Canadian Teachers' Federation, June 1989).

APPENDIX A

CHILD POVERTY IN CANADA

The most recent poverty statistics are for 1988, based on income data collected in the 1989 Survey of Consumer Finances. The figures understate the true extent of poverty in Canada because the survey does not cover the Yukon and Northwest Territories, reserves and institutions.

The data on child poverty that follow were calculated using Statistics Canada's low income cut-offs (1986 base) for 1988, popularly known as poverty lines. "Poverty rate" means the percentage of children who are poor - i.e., the number of poor children divided by the number of all children.

We present information on three categories - all children, children in two-parent families and children in one-parent families headed by women; data on male-led one-parent families is not available due to insufficient sample size. Statistics Canada defines children as under age 16 (i.e., 15 and younger) in its published data; in addition, we provide poverty statistics using under 18 (i.e., 17 and younger) for those who choose to define childhood as ending at age 18 rather than 16.

The National Council of Welfare - not Statistics Canada - should be cited as the source of this information. Some of the figures are based on unpublished data specially computed by Statistics Canada for the National Council of Welfare; the Council, not Statistics Canada, is responsible for the use and interpretation of the information that follows.

all families with children

In 1988, one child in six in Canada under age 16 - 913,000 or 16.1 percent of the total 5.7 million - lived in low-income families. The poverty rate for children under 16 ranged from a low of 12.5 percent in Prince Edward Island to a high of 21.5 percent in Saskatchewan.

In 1988, one child in six in Canada under age 18 - 987,000 or 15.4 percent of the total 6.4 million - lived in low-income families. The poverty rate for children under 18 ranged from a low of 11.9 percent in Ontario to a high of 20.0 percent in Newfoundland.

Table 1

CHILD POVERTY BY PROVINCE, ALL FAMILIES, 1988

	children under 16			children under 18		
	number poor	number all	poverty rate	number poor	number all	poverty rate
Nfld	30,000	146,300	20.5	34,000	170,000	20.0
PEI	4,000	32,000	12.5	4,000	32,300	12.4
NS	28,000	191,800	14.6	31,000	218,300	14.2
NB	28,000	160,900	17.4	31,000	184,500	16.8
Que	265,000	1,409,600	18.8	285,000	1,574,600	18.1
Ont	257,000	2,039,700	12.6	273,000	2,294,100	11.9
Man	47,000	235,000	20.0	51,000	267,000	19.1
Sask	52,000	241,900	21.5	57,000	274,000	20.8
Alta	104,000	587,600	17.7	112,000	658,800	17.0
BC	97,000	634,000	15.3	108,000	710,500	15.2
Canada	913,000	5,670,800	16.1	987,000	6,409,100	15.4

two-parent families

In 1988, 503,000 children under age 16 in two-parent families - 10.2 percent of the 4.9 million total, or one child in ten - were poor. The poverty rate for children under 16 living in two-parent households ranged from a low of 7.1 percent in Ontario to a high of 16.3 percent in Newfoundland.

In 1988, 542,000 children under age 18 in two-parent families - 9.8 percent of the 5.5 million total, or one child in ten - were poor. The poverty rate for children under 18 living in two-parent households ranged from a low of 6.8 percent in Ontario to a high of 15.7 percent in Newfoundland.

Table 2

CHILD POVERTY BY PROVINCE, TWO-PARENT FAMILIES, 1988

	children under 16			children under 18		
	number poor	number all	poverty rate	number poor	number all	poverty rate
Nfld	22,000	135,000	16.3	24,000	152,900	15.7
PEI	2,000	25,000	8.0	3,000	35,700	8.4
NS	14,000	166,700	8.4	15,000	182,900	8.2
NB	15,000	145,600	10.3	16,000	161,600	9.9
Que	164,000	1,242,400	13.2	174,000	1,370,100	12.7
Ont	125,000	1,760,600	7.1	135,000	1,985,300	6.8
Man	29,000	207,100	14.0	32,000	240,600	13.3
Sask	35,000	218,800	16.0	37,000	241,800	15.3
Alta	58,000	508,800	11.4	62,000	568,800	10.9
BC	40,000	540,500	7.4	45,000	608,100	7.4
Canada	503,000	4,931,400	10.2	542,000	5,530,600	9.8

one-parent families headed by women

In 1988, 357,000 children under age 16 in one-parent families led by women - 64.6 percent of the 553,000 total, or two of every three children - were poor. The poverty rate for children under 16 in one-parent households led by women ranged from a 'low' of 49.1 percent in Prince Edward Island to a high of 75.8 percent in New Brunswick.

In 1988, 384,000 children under age 18 in one-parent families led by women - 61.2 percent of the 628,000 total, or six in ten children - were poor. The poverty rate for children under 18 in one-parent households led by women ranged from a 'low' of 43.7 percent in Prince Edward Island to a high of 71.5 percent in New Brunswick.

Table 3

CHILD POVERTY BY PROVINCE,
ONE-PARENT FAMILIES HEADED BY WOMEN, 1988

	children under 16			children under 18		
	number poor	number all	poverty rate	number poor	number all	poverty rate
Nfld	8,000	10,800	74.4	9,000	12,600	71.3
PEI	1,000	2,000	49.1	1,000	2,300	43.7
NS	12,000	16,300	73.6	13,000	19,600	66.2
NB	12,000	15,800	75.8	13,000	18,200	71.5
Que	91,000	137,700	66.1	99,000	158,700	62.4
Ont	114,000	197,200	57.8	119,000	218,300	54.5
Man	15,000	20,400	73.7	17,000	24,400	69.7
Sask	16,000	22,300	71.6	18,000	25,600	70.3
Alta	38,000	58,300	65.2	41,000	67,800	60.5
BC	49,000	70,400	69.6	53,000	78,200	67.8
Canada	357,000	552,600	64.6	384,000	627,500	61.2

trends in child poverty

Child poverty increased substantially during the first half of the 'eighties - due to the after-effects of the recession of 1981-1982 - and has declined steadily since 1984. However, both the incidence of child poverty and the number of poor children were still higher in 1988 than at the beginning of the 'eighties.

In 1980, 851,000 children under age 16 - 14.8 percent of all children under 16 - lived in low-income families. The number of poor children rose to 1,154,000 or 20.1 percent of the all children in 1984 and has fallen to 913,000 or 16.1 percent of all children in 1988. Data on children under age 18 are available for 1986 through 1988 and show the same downward trend: 983,000 or 17.5 percent in 1986, 975,000 or 17.3 percent in 1987 and 913,000 or 16.1 percent in 1988.

Table 4

CHILD POVERTY TRENDS,
ALL CHILDREN UNDER 16, 1980-1988

	number poor	poverty rate
1980	851,000	14.8
1981	885,000	15.6
1982	1,037,000	18.3
1983	1,090,000	19.2
1984	1,154,000	20.1
1985	1,047,000	18.6
1986	983,000	17.5
1987	975,000	17.3
1988	913,000	16.1

note: Figures for 1980 through 1985 were calculated using 1978 base low income cut-offs, while those from 1986 on were calculated according to the 1986 base low income cut-offs.

The recent downward trend in the overall child poverty rate is due to the reduction in poverty among two-parent families rather than in single-parent families headed by women. The number of children in low-income two-parent families fell from 616,000 in 1986 to 503,000 in 1988 - a sizeable 18.3 percent reduction - and the poverty rate for children in two-parent households went from 12.5 percent in 1986 to 10.2 percent in 1988. On the other hand, the number of poor children in one-parent families led by women actually increased from 320,000 in 1986 to 357,000 in 1988 - an 11.6 percent rise. The child poverty rate for female-led one-parent families increased from 64.4 percent in 1986 to 67.9 percent in 1987 and fell to 64.6 percent in 1988 - virtually the same as in 1986.

Table 5

CHILD POVERTY TRENDS, CHILDREN UNDER 16, ONE AND TWO-PARENT FAMILIES, 1986-1988

	children in two-parent families		children in female-led families	
	number poor	poverty rate	number poor	poverty rate
1986	616,000	12.5	320,000	64.4
1987	569,000	11.5	359,000	67.9
1988	503,000	10.2	357,000	64.6
percentage change 1986/88	-18.3%	-18.4%	11.6%	0.3%

In recent years, one-parent families led by women have accounted for a growing proportion of poor children. The percentage of low-income children living in two-parent families fell from 62.7 percent in 1986 to 58.4 percent in 1987 and 55.1 percent in 1988. By contrast, the percentage of poor children being raised by single-parent mothers increased from 32.6 percent in 1986 to 36.8 percent in 1987 and 39.1 percent in 1988. Table 6 gives the results.

Table 6

COMPOSITION OF CHILD POVERTY, 1986-1988

	poor children in two-parent families as % of all poor children	poor children in female-led one-parent families as % of all poor children
1986	62.7%	32.6%
1987	58.4	36.8
1988	55.1	39.1

depth of poverty

By "depth of poverty", we mean how far below the poverty line people fall - i.e., how poor they are.

Poor one-parent families are worse off on average than poor two-parent families. Overall, one-parent female-led families' incomes averaged only 62.1 percent of the poverty line, compared to 85.1 percent for two-parent families.

Worst off are poor one-parent families led by mothers under 65 with young children (under age seven); their incomes average only 54.7 percent of the poverty line. Poor families led by single mothers with children between seven and seventeen fare a little better - their incomes amount to 66.4 percent of the poverty line. Low-income two-parent families' incomes average 72.2 percent of the poverty line for those with children under seven and 77.1 percent for those with children seven to seventeen. (Figures for male-led one-parent families are not available due to insufficient sample size).

A very large group of poor single-parent families led by women - 27.4 percent - struggle to get by on incomes below one-half the poverty line; another 44.5 percent have incomes between one-half and three-quarters of the poverty line; 28.1 percent are between three-quarters of the poverty line and the poverty line. By contrast, only 14.1 percent of poor two-parent families are under half the poverty line; 29.7 percent have incomes between one-half and three-quarters of the poverty line and 56.2 percent are within 25 percent of the poverty line.

summary

Child poverty rose significantly in the early 'eighties and has fallen steadily since 1984, though it was still more extensive in 1988 than in 1980. At last count (1988), there were 913,000 poor children under age 16 in Canada - 16.1 percent of the total. One child in six is poor.

Children who live in one-parent families led by women face a very high risk of poverty: 357,000 of the total 553,000 were poor in 1988, which amounts to an extremely high poverty rate of 64.6 percent. By contrast, only 10.2 percent of children living in two-parent families (503,000 out of 4.9 million children) were poor in 1988. In other words, two in every three children being raised by single-parent mothers are poor, compared to only one in ten children in two-parent families.

APPENDIX B

TOTAL CHILD BENEFITS, SINGLE PARENTS WITH TWO CHILDREN, 1984 AND 1991 (IN CONSTANT 1989 DOLLARS)

	Welfare Poor	Working Poor ($15,000)	Middle Income $20,000)	Upper Income ($50,000)
1984	$1,731	$2,956	$2,996	$3,524
1991	$1,952	$3,092	$3,092	$1,503
Change				
Dollars	222	136	96	-2,021
Percent	12.8	4.6	3.2	-57.3

TOTAL CHILD BENEFITS, ONE-EARNER COUPLES WITH TWO CHILDREN, 1984 AND 1991 (IN CONSTANT 1989 DOLLARS)

	Welfare Poor	Working Poor ($20,000)	Middle Income $40,000)	Upper Income ($100,000)
1984	$1,731	$1,990	$1,886	$1,340
1991	$1,952	$1,946	$950	$193
Change				
Dollars	222	-44	-936	-1,147
Percent	12.8	-2.2	-49.6	-85.6

TOTAL CHILD BENEFITS, TWO-EARNER COUPLES WITH TWO CHILDREN, 1984 AND 1991 (IN CONSTANT 1989 DOLLARS)

	Welfare Poor	Working Poor ($20,000)	Middle Income ($50,000)	Upper Income ($100,000)
1984	$1,731	$1,980	$1,948	$2,166
1991	$1,952	$1,946	$1,451	$1,503
Change				
Dollars	222	-34	-497	-663
Percent	12.8	-1.7	-25.5	-30.6

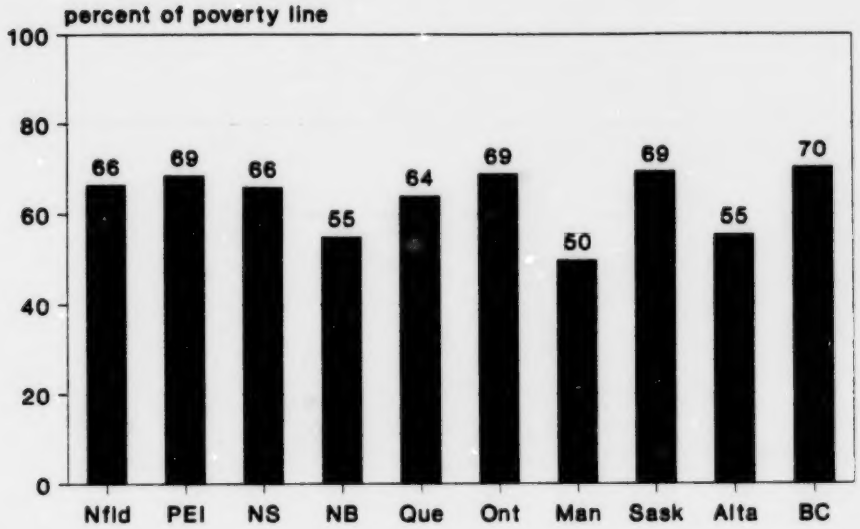
APPENDIX C

TOTAL INCOME TAXES, TWO-EARNER COUPLES WITH TWO CHILDREN, 1984 AND 1991 (IN CONSTANT 1989 DOLLARS)

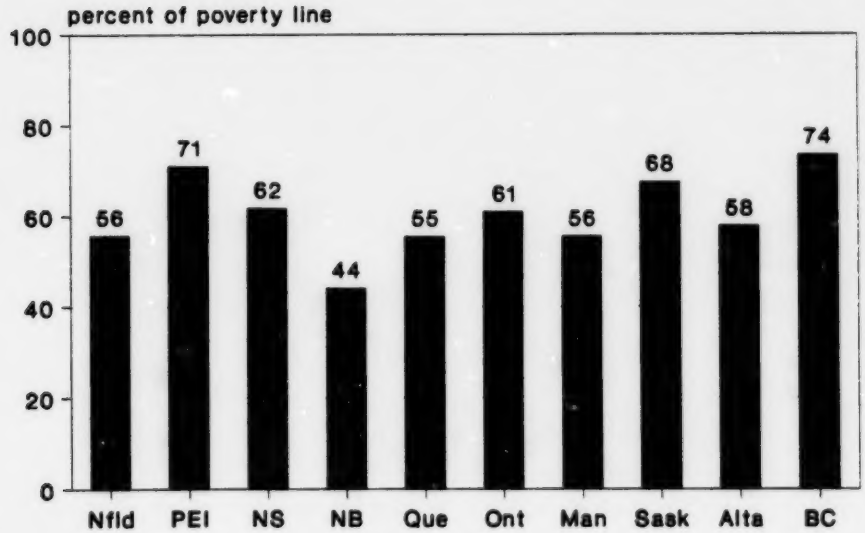
	Working Poor ($20,000)	Middle Income ($50,000)	Upper Income ($100,000)
1984	$175	$8,146	$25,617
1991	$851	$9,356	$26,621
Change			
Dollars	676	1,210	1,004
Percent of Income	3.4	2.4	1.0

APPENDIX D

WELFARE INCOMES AS % OF POVERTY LINE, SINGLE PARENT AND ONE CHILD AGE TWO, LARGEST CITY IN EACH PROVINCE, 1989

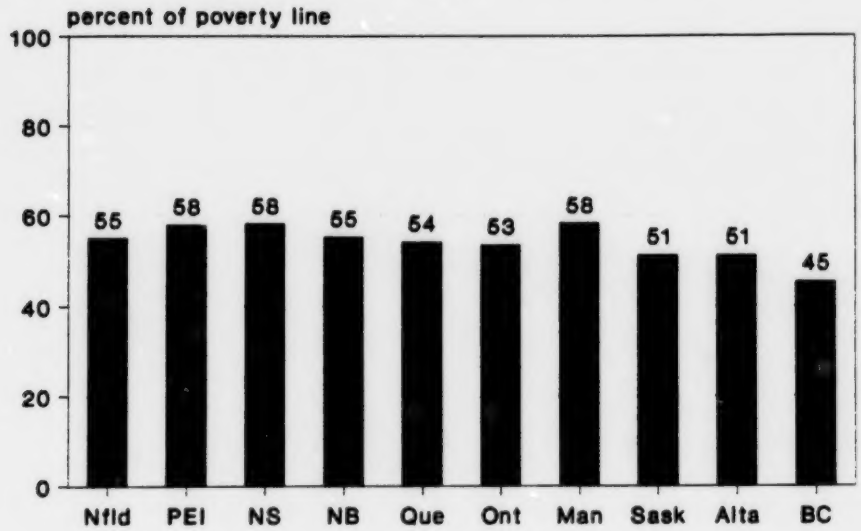


WELFARE INCOMES AS % OF POVERTY LINE, COUPLE WITH TWO CHILDREN 10 AND 15, LARGEST CITY IN EACH PROVINCE, 1989

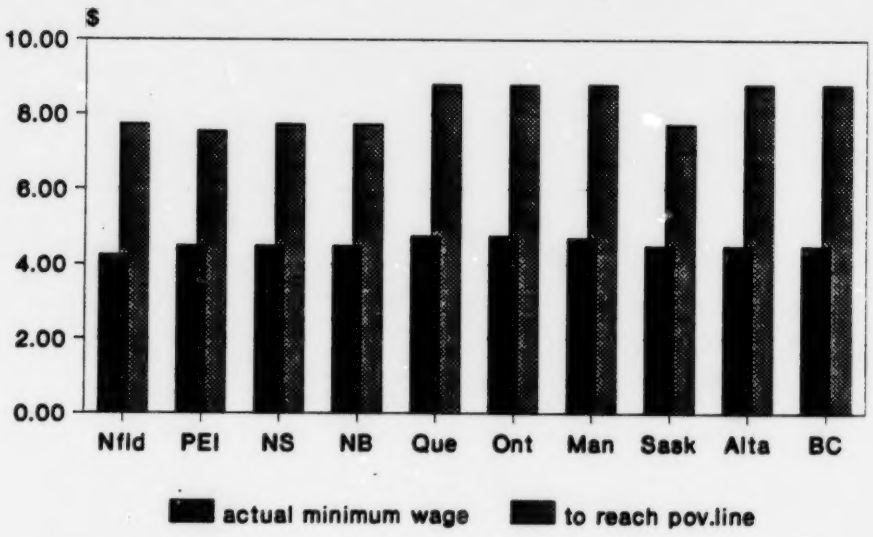


APPENDIX E

MINIMUM WAGE INCOME AS % OF POVERTY LINE, SINGLE PARENT WITH ONE CHILD, LARGEST CITY IN EACH PROVINCE, 1989



MINIMUM WAGES NEEDED TO GET TO POVERTY LINE, SINGLE PARENT WITH ONE CHILD, LARGEST CITY IN EACH PROVINCE, 1989



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Stellarton, Nova Scotia

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National Council of Welfare
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Ottawa K1A 0K9

Director: Ken Battle
Assistant Director: Steve Kerstetter

NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969 as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, medicare, poverty lines and poverty statistics, the retirement income system, the aged, tax reform, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, Immeuble Jeanne Mance
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